

Measures in Garment Sector

Cambodia has achieved political stability during the last decade, which was a key-factor to enable a favorable environment for business and investments. The economic growth was mainly sustained by garments exports, agriculture, tourism and the construction sector. The percentage of people living under the national poverty line fell gradually from 45% to 35% by 2004 and further declined to 30% in 2007, proving that Cambodia will be on the right track to meet her poverty alleviation-related Millennium Development Goals of year 2015.

In the course of world economic crisis, the Cambodian garment sector continues to play a major role in our exports to the world, with 70% going to the US market. However, the order for the first quarter of 2009 declined compares with the same period of 2008 resulting in the drop in the production capacity to 70% among the 300 factories. Currently, the major buyer has been facing the credit crisis and setting new conditions for Cambodian garment. The new terms include the reduction of order lead time from 3 months to 40 days and a payment credit term of 60 days. In order to address the above challenges and help retaining the existing and attract more investment in garment sectors, the Royal Government of Cambodia met with the Garment Association of Cambodia, other relevant stakeholders and government agencies and agreed on the followings:

Fiscal Measures to assist garment sectors

- Royal Government will extend the exemption of 1% profit tax for additional two years (2010-2011)
- Royal Government will pay 0.3% on behalf the garment factory's owner for two years (2009-2010) for the required contribution by employers to the Social Security Plan. This will allow the employers to pay only 0.5% of the employees' salary instead of 0.8%
- Ministry of Economy and Finance in cooperation with the Ministry of Labor and Vocational Training will establish a Social Safety Support Fund (SSSF) to provide the short training program to youth and layoff workers. This SSSF is not only helping address the social issues but also will help to increase the productivities of the labor for garment sector and all labor force. At the same time, this training program, for medium term, will be transformed as permanent measures to provide vocational skill training, including the advanced management skill, for workers who are working at the factories. Factory's owner may contribute in appropriate amount of sale proportion or by volunteer. The contribution into this SSSF is tax deductible.

Measures to improve Trade Facilitation to facilitate import – export

- Royal Government will implement the formality for import and export by using online application in the framework of ASYCUDA by expediting the installation of the software and equipment required to allow the importer and exporter to be able to use this system.
- For the remaining measures related to trade facilitation, Steering Committee on Private Sector Development and its three Sub-Steering Committees, in particular the eight Sectoral Working Group Mechanism of the Government – Private Sector Forum shall continue to actively and effectively discuss in order to find the potential obstacles in the import – export procedures and raise the measures to reduce procedures and unnecessary cost, both official and unofficial.

Measures to receive the Credit and Export Guarantee

- Royal Government will carefully study the possibility to assist in providing credit support to the garment sector.

Measures to improve the Industrial Relations

- Royal Government will work closely with employers and workers to ensure that labor law and strike procedures are fully complied.
- Ministry of Labor and Vocational Training shall expedite the draft of the Law on Union.

Other Measures

- Competent and Local authorities shall cooperate to prevent the activities of stealing clothes from the factories to sale in local market.
- Garment Factory's owner shall improve their management and strengthening the internal governance in their factories.